

MEMORANDUM FOR CORRESPONDENTS

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Under Secretary of Defense for Acquisition and Technology Paul Kaminski today commented on the significant progress of Defense Acquisition Pilot Programs (DAPPs) toward achieving acquisition reform goals of acquiring systems responsively, efficiently and smartly.

Overall, DAPPs report schedule, cost, and management improvements exceeded a 50 percent baseline reduction. The initial results of the DAPPs are being mirrored throughout DoD as the Department fully capitalizes on acquisition reform and continues to reengineer its life cycle process. Much of this reengineering is based on the early experience and lessons learned of the DAPPs in the areas of commercial practices, life cycle process streamlining, metrics, and specification reform, Kaminski said.

Five programs were nominated as pilots in December 1994 under the provisions of the Federal Acquisition Streamlining Act of 1994 (FASA); the Joint Direct Attack Munition (JDAM), Fire Support Combined Arms Tactical Trainer (FSCATT), Joint Primary Aircraft Training System (JPATS), Commercial Derivative Engine (CDE), and the Non-Developmental Airlift Aircraft (NDAA). In addition, the Defense Personnel Support Center's subsistence, clothing, and medical programs, and the C-130J Hercules tactical transport aircraft program, were also designated as regulatory pilots. These pilot programs serve as vanguards in implementing innovative commercial practices in DoD acquisition and as benchmarks for continuing acquisition process improvement.

The DAPPs are assisted by the DoD Pilot Program Consulting Group (PPCG), which is chaired by the office of the deputy under secretary of Defense for Acquisition Reform, and comprised of representatives from DoD and the Services. The PPCG helps the DAPPs evaluate the benefits of approved regulatory and statutory relief through the development of focused metrics and appropriate baselines. In its 1996 report, the PPCG showed significant gains in efficiencies from major reductions in the use of military standards, contract data requirements, solicitation length and complexity, and source selection cycle time, that were made possible by FASA. A summary of the report (which can be found at <http://www.acq.osd.mil/ar>) follows.

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DAPPs Achieve Cycle Time Reductions

One major goal of acquisition reform is to achieve more responsive programs with reduced development cycles. Compared to traditional defense programs, the DAPPs demonstrated dramatic reductions in cycle time: JDAM (35 percent reduction); FSCATT (33 percent reduction); and CDE (50 percent reduction). The DAPPs also report substantial reductions in source selection cycle time including: JDAM (50 percent reduction); FSCATT (32 percent reduction); and CDE (50 percent reduction).

DPSC reports substantial reductions in logistics response time through the use of innovative commercial contracts and electronic commerce. The Logistics Response Time (LRT) for subsistence items dropped from 30 days to 2 days; LRT for medical items plummeted from 60 days to 1 day; and clothing and textile items LRT decreased from 46 days to 8 days.

The PPCG notes that the achieved cycle time reductions were later mirrored by other DoD weapons programs such as F-22 aircraft (40 percent), Joint STARS (31 percent), and Joint Tactical Information Distribution System (54 percent). Based upon those results, the PPCG concludes that commercial practices and performance contracting have enabled DoD to achieve more responsive programs with dramatically shorter developmental cycle times.

DAPPs Demonstrate Cost Reductions

The DAPPs also demonstrate the financial benefits of commercial practices with reported cost reductions of over \$5 billion. JDAM is realizing a 50 percent reduction in average unit price, while FSCATT reports a 13.5 percent cost reduction due to specification streamlining and the use of commercial practices, the commercial derivative engine (C-17) projects a 4 percent savings due to multiyear procurement, and JPATS projects a 50 percent reduction in production costs. DPSC also reports significant savings achieved through 23-66 percent reductions in inventories.

DAPPs Demonstrate “Smarter” Practices

The benefits of the commercial practices employed by the DAPPs include improved processes and reduced in-house staffing requirements. For example, the JDAM “rolling downselect,” which featured continuous dialogue with competing contractors, reduced Requests for Proposal costs by 70 percent, and bid and proposal costs by 50 percent. Similarly, commercial practices (such as integrated product teams, milestone billing, commercial logistics support, multiyear procurement, fixed price development, and electronic commerce) are enabling the DAPPs to be managed with substantially fewer in-house resources. Compared to traditional programs, the DAPPs report reductions of 27 percent (FSCATT), 30 percent (JDAM), 42 percent (CDE), 47 percent (JPSTS), and 30 percent (C-130J), in in-house program office staffing. The use of integrated product teams also is enabling dramatic reductions in contract administrative services efforts. As estimated by Defense Contract Management Command and reported by the PPCG, the DAPPs can achieve between 16 and 79 percent reductions in contract administration.

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